

Get More Sourcing Discipline Out of the Business

Increase Business Partner Involvement

Situation

Half of Procurement's managed spend lacks the desired level of discipline, creating \$14 million in missed annual savings.

Insight

Early involvement from Procurement does not drive increased sourcing discipline. Procurement must shift its mind-set from sourcing discipline being applied by Procurement to sourcing discipline being applied by the business.

Potential

Building business partner sourcing discipline enables procurement staff to focus more on high-value and strategic projects.

Situation > Insight > Potential > Action

Half of Sourcing Isn't Disciplined

Procurement has been applying the seven-step sourcing process for over 20 years, and doing so has led to billions in savings. Yet, when surveyed, procurement professionals tell us that only 51% of buys meet Procurement's desired level of discipline. Lack of discipline creates \$14 million in missed annual savings for the average-sized company, and the time Procurement spends trying to achieve early involvement locks up capacity that could be used to work on value-added projects.

Procurement Seeks Earlier Involvement

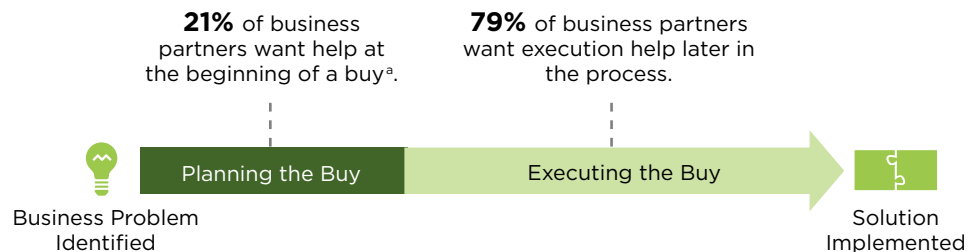
Procurement frequently struggles to get involved earlier in the decision-making process, and only 21% of business partners desire Procurement's involvement in the earliest stages of the buy.

Procurement struggles to get involved early because business partners:

- Change plans quickly and do not see Procurement as fast enough to keep up.
- Find their complex project list in flux, which they prefer to execute independently.
- Operate quickly; changes in the business world threaten to roll back any gains made.

Few Want Procurement Help Early

Business Partners' Desired Buying Assistance from Procurement



n = 258 business partners.

Source: CEB 2015 Procurement Business Partners Sourcing Effectiveness Survey.

^a Business partners were segmented into two categories—early involvers and late involvers—based on whether they involved Procurement before or after 20% of their buy decision was complete.

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Early Procurement Involvement Does Not Impact Sourcing Discipline

The point at which business partners reach out to Procurement for support executing a buy has no impact on the overall sourcing discipline of the buy. This likely results from a combination of better-than-expected buying behaviors from the business and Procurement’s own execution shortcomings.

Some business partners apply more discipline than expected because:

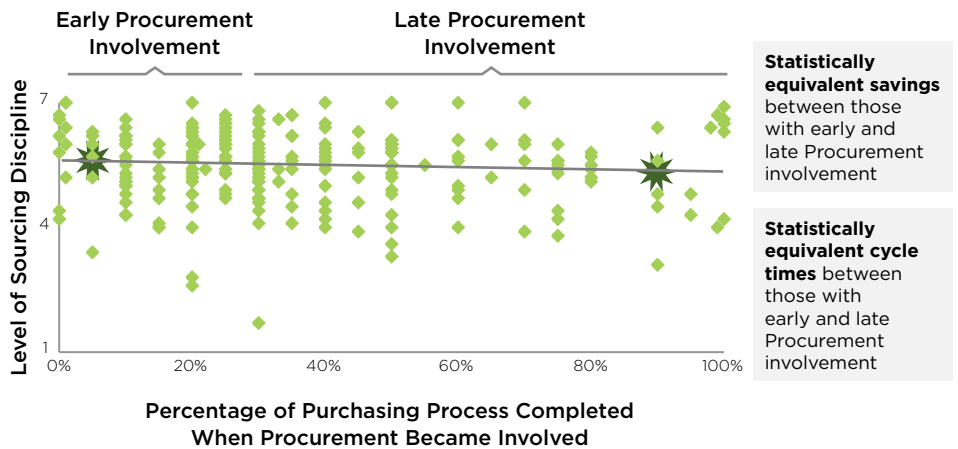
- Years of procurement messaging has changed the sourcing behaviors in many parts of the business,
- Business partners possess many skills—e.g., market expertise, collaboration, strategic thinking—that allow them to make good choices without a perfect process, and
- Business partners are more sensitive than ever to cost and risk concerns.

Procurement may contribute less than expected because:

- Time constraints make it hard for Procurement to apply its process expertise as much as needed for every buy,
- Not all Procurement staff have the skills necessary to effectively execute sourcing events, and
- Procurement staff who get involved early may be involved in name only.

The Business’s Discipline Is Better Than Expected

Overall Sourcing Discipline Based on Point of Procurement Involvement



n = 258 business partners.

Source: CEB 2015 Procurement Business Partners Sourcing Effectiveness Survey.

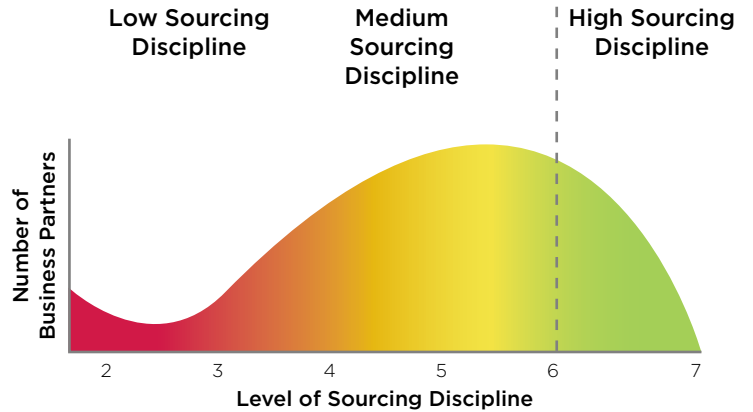
Note: Average Business Partner Assessed Discipline Score = 5.5/7.0; Average Procurement Professional Assessed Discipline Score = 5.0/7.0 (*n* = 88 procurement professionals).

Shift Sourcing Discipline to the Business

Procurement must shift its mind-set from sourcing discipline being applied by Procurement to sourcing discipline being applied to the business. While only one-third of business partners who involve Procurement late have high sourcing discipline, a relatively large group could achieve high discipline if it had meaningful support from Procurement.

Business Partner Application of Discipline Varies

Level of Sourcing Discipline Among Business Partners Who Do Not Involve Procurement Early^a



Portion of Business Population	53%	26%
Average Level of Sourcing Discipline	Medium (5.1 out of 7.0)	High (6.3 out of 7.0)
Rating of Buy Outcome (Percentage Agreeing Process Yielded Best Supplier)	Low (45% agree)	Medium/High (79% agree)

n = 205 business partners.

Source: CEB 2015 Procurement Business Partners Sourcing Effectiveness Survey.

^a Twenty-one percent of business partners come to Procurement early.

Procurement Must Remove Barriers from Business Partners

When leading sourcing events without Procurement’s involvement, the business’s discipline is better than expected. Identify the business partners who demonstrate effective discipline and allow them to continue with their sourcing activities, providing coaching and support when needed.

Increase business partner sourcing discipline by:

- Segmenting business partners to identify where more discipline is needed,
- Building business partner sourcing discipline with targeted support, and
- Making sourcing feel easier to do for business partners.

In addition to increased savings and risk reduction, the business will see:

- Less time spent hammering disengaged partners through steps they find redundant,
- Higher rates of business partners applying sourcing principles to independent buys, and
- Increased spend coverage impact.